



FOR CLERK USE ONLY

City Council

Item No. 8

CITY COUNCIL AGENDA FACT SHEET

Finance
Department

April 20, 2010
Requested Date

1. **Request:**

Council Approval

☒Information Only/
Presentation☐

Other (specify)

☐

Hearing

☐

2. **Requested Action:**

Authorize the City Manager to execute the agreement with The Epler Company, Benefits & Compensation Consulting and Actuarial Service Consultants, to provide services in connection with the GASB 45 OPEB actuarial valuation required as of July 1, 2010.

3. **Fiscal Impact:**

Revenue:

Increase

☐

Source: _____

Decrease

☐

Amount: _____

Cost:

Increase

☐

Source: _____

Decrease

☐

Amount: _____

Does Not Apply ☒

4. **Reviewed By:**

Finance Dept. on 4/14/2010

Comments: _____

By: 

City Attorney on _____

Comments: _____

By: _____

Note: Back up must be submitted along with this form. Deadline is 5:00 p.m., 2 Fridays before the scheduled meeting date.

CLERK USE ONLY:

CITY COUNCIL DATE: _____

Action

☐

Filing

☐

Consent

☐

Presentation

☐

Hearing

☐

Other(specify)

☐

Reviewed by: City Clerk _____

Date _____

City Manager _____

Date _____

CITY COUNCIL AGENDA REPORT

**SUBJECT: Epler Company, Benefits & Compensation Consultant and
Actuary Services for GASB 45 Required Reporting**

AGENDA DATE: April 20, 2010

PREPARED BY: Judy Hashem, Finance Director

APPROVED FOR AGENDA BY: Victor M. Carrillo, City Manager

RECOMMENDATION: City Council is requested to take the following action:

- 1. Authorize the City Manager to execute the agreement with The Epler Company, Benefits & Compensation Consulting and Actuarial Service Consultants, to provide services in connection with the GASB 45 OPEB actuarial valuation required as of July 1, 2010 in the amount of \$6,500.**

FISCAL IMPACT: The fee to update the actuarial valuation for the City's retiree health benefits program will not exceed \$6,500 and will be paid from the City's Medical Insurance Fund #601.

BACKGROUND INFORMATION:

The Governmental Accounting Standards Board (GASB) issued Statement No. 45 in June 2004 pertaining to accounting and financial reporting of Other Postemployment Benefits (OPEB). Postemployment benefits constitute compensation for employee services after employment has ended.

For financial reporting purposes, GASB 45 requires an actuarial valuation be performed biennially for OPEB plans that have a total membership (active and terminated) of 200. The Epler Company performed the actuarial for the City for the years July 1, 2006 and July 1, 2008.

The purpose of the actuarial valuation is to determine the annual required contribution (ARC) to report in the City's financial statements. Typically public agencies, including the City of Calexico, reflected the cost of retiree health care on a "pay-as-you-go" basis (paying the expense as it occurred). With implementation of GASB 45, the liability for the promise of a future benefit must be reported on City's balance sheet. GASB does not require that OPEB plans be funded, but it requires disclosure of the OPEB obligation in the financial statements.

To comply with GASB, the City is required to calculate and record, as of July 1, 2010, the ARC "Annual Required Contribution". The ARC is the sum of the

services received during the fiscal year and the liability for the cost of the unfunded years of service (future benefits). The City is not required to fund the future costs, however, the City is required to determine the unfunded accrued liability and estimated annual expense (required contribution).

DOCUMENTS ATTACHED:

- 1. Agreement for Professional Services**
- 2. Letter--The Epler Company**

Agenda Item No. ____

Page ____ Of ____

AGREEMENT FOR PROFESSIONAL SERVICES

This Agreement is made and entered into as of the 21st day of April, 2010, by and between the City of Calexico ("City") and The Epler Company, ("Consultant").

RECITALS

A. Consultant is specially trained, experienced and competent to perform the special services which will be required by this Agreement; and

B. Consultant possesses the skill, experience, ability, background, certification and knowledge to provide the services described in this Agreement on the terms and conditions described herein.

AGREEMENT

1. Scope of Services. The Consultant shall furnish the following services in a professional manner. Consultant shall perform the services described on Exhibit A which is attached hereto and incorporated herein by reference. Consultant shall provide said services at the time, place, and in the manner specified in Exhibit A, subject to the direction of the City through its staff that it may provide from time to time.
2. Time of Performance. The services of Consultant are to commence upon execution of this Agreement and shall continue until all authorized work is approved by the City. All such work shall be completed no later than 12-31-10. Time is of the essence for every provision of this agreement that states a time for performance and for every deadline imposed by the City.
3. Compensation. Compensation to be paid to Consultant shall be in accordance with the Schedule of Charges set forth in Exhibit B, which is attached hereto and incorporated herein by reference. In no event shall Consultant's compensation exceed \$6,500 without additional authorization from the City. Payment by City under this Agreement shall not be deemed a waiver of defects, even if such defects were known to the City at the time of payment.
4. Method of Payment. Consultant shall submit monthly billings to City describing the work performed during the preceding month. Consultant's bills shall include a brief description of the services performed, the date the services were performed, the number of hours spent and by whom, and a description of any reimbursable expenditures. City shall pay Consultant no later than 30 days after approval of the monthly invoice by City staff. When payments made by City equal 90% of the maximum fee provided for in this Agreement, no further payments shall be made until the final work under this Agreement has been accepted by City.

5. Ownership of Documents. All plans, studies, documents and other writings prepared by and for Consultant, its officers, employees and agents and subcontractors in the course of implementing this Agreement, except working notes and internal documents, shall become the property of the City upon payment to Consultant for such work, and the City shall have the sole right to use such materials in its discretion without further compensation to Consultant or to any other party. Consultant shall, at Consultant's expense, provide such reports, plans, studies, documents and other writings to City upon written request.

6. Independent Contractor. It is understood that Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and shall not act as an agent or employee of the City. Consultant shall obtain no rights to retirement benefits or other benefits which accrue to City's employees, and Consultant hereby expressly waives any claim it may have to any such rights.

7. Interest of Consultant. Consultant (including principals, associates and professional employees) covenants and represents that it does not now have any investment or interest in real property and shall not acquire any interest, direct or indirect, in the area covered by and during this Agreement or any other source of income, interest in real property or investment which would be affected in any manner or degree by the performance of Consultant's services hereunder. Consultant further covenants and represents that in the performance of its duties hereunder no person having any such interest shall perform any services under this Agreement.

Consultant is not a designated employee within the meaning of the Political Reform Act because Consultant:

- a. will conduct research and arrive at conclusions with respect to his/her rendition of information, advice, recommendation or counsel independent of the control and direction of the City or of any City official, other than normal agreement monitoring; and
- b. possesses no authority with respect to any City decision beyond rendition of information, advice, recommendation or counsel. (FPPC Reg. 18700(a)(2).)

8. Professional Ability of Consultant. City has relied upon the professional training and ability of Consultant to perform the services hereunder as a material inducement to enter into this Agreement. Consultant shall therefore provide properly skilled professional and technical personnel to perform all services under this Agreement. All work performed by Consultant under this Agreement shall be in accordance with applicable legal requirements and shall meet the standard of quality ordinarily to be expected of competent professionals in Consultant's field of expertise.

9. Indemnity. Consultant agrees to defend, indemnify and hold harmless the City, its officers, agents, employees and volunteers from and against any and all claims, demands, actions, losses, damages, injuries, and liability, direct or indirect (including any and all related costs and expenses in connection therein), arising out of the performance of this Agreement,

except for any such claim arising out of the sole negligence or willful misconduct of the City, its officers, agents, employees or volunteers.

10. Insurance Requirements.

a. Consultant, at Consultant's own cost and expense, shall procure and maintain, for the duration of the contract, the following insurance policies.

i. Workers' Compensation Coverage. Consultant shall maintain Workers' Compensation Insurance and Employer's Liability Insurance for his/her employees in accordance with the laws of the State of California. In addition, Consultant shall require each subcontractor to similarly maintain Workers' Compensation Insurance and Employer's Liability Insurance in accordance with the laws of the State of California for all of the subcontractor's employees. Any notice of cancellation or non-renewal of all Workers' Compensation policies must be received by the City at least thirty (30) days prior to such change. The insurer shall agree to waive all rights of subrogation against City, its officers, agents, employees and volunteers for losses arising from work performed by Consultant for City. This provision shall not apply if Consultant has no employees performing work under this Agreement. If the Consultant has no employees for the purposes of this Agreement, Consultant shall sign the "Certificate of Exemption from Workers' Compensation Insurance" which is attached hereto as Exhibit C.

ii. General Liability Coverage. Consultant shall maintain commercial general liability insurance in an amount not less than one million dollars (\$1,000,000) per occurrence for bodily injury, personal injury and property damage. If a commercial general liability insurance form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the work to be performed under this Agreement or the general aggregate limit shall be at least twice the required occurrence limit.

iii. Automobile Liability Coverage. Consultant shall maintain automobile liability insurance covering bodily injury and property damage for all activities of the Consultant arising out of or in connection with the work to be performed under this Agreement, including coverage for owned, hired and non-owned vehicles, in an amount of not less than one million dollars (\$1,000,000) combined single limit for each occurrence.

b. Policy Endorsements. Each general liability and automobile liability insurance policy shall be with insurers possessing a Best's rating of no less than A:VII and shall be endorsed with the following specific language:

i. The City of Calexico, its elected or appointed officers, officials, employees, agents and volunteers are to be covered as additional insureds with respect to liability arising out of work performed by or on behalf of the Consultant, including materials, parts or equipment furnished in connection with such work or operations.

ii. This policy shall be considered primary insurance as respects the City, its elected or appointed officers, officials, employees, agents and volunteers. Any insurance maintained by the City, including any self-insured retention the City may have, shall be considered excess insurance only and shall not contribute with it.

iii. This insurance shall act for each insured and additional insured as though a separate policy had been written for each, except with respect to the limits of liability of the insuring company.

iv. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the City, its elected or appointed officers, officials, employees, agents or volunteers.

v. The insurance provided by this policy shall not be suspended, voided, canceled, or reduced in coverage or in limits except after thirty (30) days written notice has been received by the City.

c. Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the City. At the City's option, Consultant shall demonstrate financial capability for payment of such deductibles or self-insured retentions.

d. Certificates of Insurance and Endorsements. Consultant shall provide certificates of insurance with original endorsements to City as evidence of the insurance coverage required herein. Certificates of such insurance shall be filed with the City on or before commencement of performance of this Agreement. Current certification of insurance shall be kept on file with the City at all times during the term of this Agreement.

11. Compliance with Laws. Consultant shall use the standard of care in its profession to comply with all applicable federal, state and local laws, codes, ordinances and regulations.

12. Licenses. Consultant represents and warrants to City that it has all licenses, permits, qualifications, insurance and approvals of whatsoever nature which are legally required of Consultant to practice its profession. Consultant represents and warrants to City that Consultant shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement, any licenses, permits, insurance and approvals which are legally required of Consultant to practice its profession.

14. Written Notification. Any notice, demand, request, consent, approval or communication that either party desires or is required to give to the other party shall be in writing and either served personally or sent prepaid, first class mail. Any such notice, demand, etc. shall be addressed to the other party at the address set forth herein below. Either party may change its address by notifying the other party of the change of address. Notice shall be deemed communicated within 48 hours from the time of mailing if mailed as provided in this section.

If to Consultant: Ms. Marilyn K. Jones, Vice President & Actuary
The Epler Company
450 B Street, Suite 750
San Diego, CA 92101-8002

a. Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services, or expenditures and disbursements charged to City for a minimum period of three (3) years, or for any longer period required by law, from the date of final payment to Consultant to this Agreement.

c. Any records or documents required to be maintained pursuant to this Agreement shall be made available for inspection or audit, at any time during regular business hours, upon written request by the City Manager, City Attorney, City Auditor or a designated representative of these officers. Copies of such documents shall be provided to the City for inspection at City Hall when it is practical to do so. Otherwise, unless an alternative is mutually agreed upon, the records shall be available at Consultant's address indicated for receipt of notices in this Agreement.

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may, by written request by any of the above named officers, require that custody of the records be given to the City and that the records and documents be maintained in City Hall. Access to such records and documents shall be granted to any party authorized by Consultant, Consultant's representatives, or Consultant's successor-in-interest.

16. Entire Agreement. This Agreement constitutes the complete and exclusive statement of Agreement between the City and Consultant. All prior written and oral communications, including correspondence, drafts, memoranda, and representations, are superseded in total by this Agreement.
17. Amendments. This Agreement may be modified or amended only by a written document executed by both Consultant and City and approved as to form by the City Attorney.
18. Waiver. No failure on the part of either party to exercise any right or remedy hereunder shall operate as a waiver of any other right or remedy that party may have hereunder.
19. Execution. This Agreement may be executed in several counterparts, each of which shall constitute one and the same instrument and shall become binding upon the parties when at least one copy hereof shall have been signed by both parties hereto. In approving this Agreement, it shall not be necessary to produce or account for more than one such counterpart.
20. Assignment and Subcontracting. The parties recognize that a substantial inducement to City for entering into this Agreement is the professional reputation, experience and competence of Consultant. Assignments of any or all rights, duties or obligations of the Consultant under this Agreement will be permitted only with the express consent of the City. Consultant shall not subcontract any portion of the work to be performed under this Agreement without the written authorization of the City. If City consents to such subcontract, Consultant shall be fully responsible to City for all acts or omissions of the subcontractor. Nothing in this Agreement shall create any contractual relationship between City and subcontractor nor shall it create any obligation on the part of the City to pay or to see to the payment of any monies due to any such subcontractor other than as otherwise is required by law.
21. Termination. This Agreement may be terminated immediately for cause or by either party without cause upon fifteen days' written notice of termination. Upon termination, Consultant shall be entitled to compensation for services performed up to the effective date of termination.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first written above.

CITY OF CALEXICO:

CONSULTANT:

Victor M. Carrillo
City Manager

The Epler Company

APPROVED AS TO FORM:

ATTEST:

Jennifer M. Lyon
City Attorney

Lourdes Cordova
City Clerk

EXHIBIT A

SCOPE OF SERVICES

The Epler Company will perform an updated actuarial valuation as of July 1, 2010 to determine the amount of the actuarial liability for the City's current retiree health benefits program in accordance with GASB 45. The actuarial valuation will be performed using generally accepted actuarial procedures, updated census, and plan and rate information provided by the City. A data request is being provided separately. We will provide the City with a report setting forth all City liabilities as required under GASB 45 for its retiree health benefits program. The actuarial valuation results will also provide information regarding level-dollar and level-percentage-of-pay funding options. The valuation results will be split between active and retired employees. Our report will contain the following information:

- ♦ Executive Summary.
- ♦ Summary of Expected Cost: Projected annual pay-as-you-go expenditures (expected retiree health benefit payments by the City) for the next 20 years and representative years, thereafter.
- ♦ Summary of Plan Provisions: Terms of the plan provisions - eligibility, benefits period, etc., used in the valuation.
- ♦ Summary of Actuarial Assumptions: Key financial and demographic assumptions used in the valuation.
- ♦ Summary of Liabilities: Present value of expected retiree health benefit payments by the City.
- ♦ Determination of the expected impact on the City's financial statement under GASB 45, including the unfunded actuarial accrued liability and the estimated annual accrual accounting expense (annual required contribution) for the next two fiscal periods. GASB 45 requires disclosure of the unfunded liability associated with retiree health benefits and accrual accounting (versus pay-as-you-go) for the expensing of retiree health benefits.
- ♦ Funding Analysis: Recommended funding amounts to pre-fund the obligation on level-dollar and level-percentage-of-pay basis.
- ♦ Sensitivity Analysis: Results using alternative discount rates to reflect funding strategies.
- ♦ Age and Service Distribution: Statistics of employee population included in the valuation.
- ♦ Actuarial Certification

EXHIBIT B

SCHEDULE OF CHARGES

Our estimated fees, including non-travel related expenses, for the services outlined above are \$6,500. Our fees are based on the projected number of hours spent by each consultant on the project, multiplied by a billable rate that varies according to the experience and credentials of the consultant. We make every effort to hold down the costs incurred in preparing the report, but not to the point of jeopardizing the successful conclusion of the assignment. We will bill for our services monthly and payment is due 30 days after receipt of a monthly invoice.

EXHIBIT C

CERTIFICATE OF EXEMPTION FROM WORKERS' COMPENSATION INSURANCE

I hereby certify that in the performance of the work for which this Agreement is entered into, I shall not employ any person in any manner so as to become subject to the Workers' Compensation Laws of the State of California.

Executed on this _____ day of _____, 2009, at _____,
California.

Consultant



450 B Street Suite 200
San Diego CA 92101-6002
Telephone (619) 239-0631
Facsimile (619) 239-0807
www.eplercompany.com

April 7, 2010

PRIVATE

Ms. Judith Hashem
Finance Director
City of Calexico
608 Heber Avenue
Calexico, CA 92231

Re: GASB Actuarial Valuation for the City of Calexico (the "City")

Dear Judith:

We offer the following contract for the City's signature.

BACKGROUND

The City sponsors a retiree health benefits program for its retirees. The City is seeking an updated actuarial valuation of its retiree health benefits program. The actuarial valuation will provide the required accounting information under GASB 45 for the District. The last actuarial valuation was as of July 1, 2008. Under GASB 45, an actuarial valuation needs to be performed at least once every two years.

CONSULTING SERVICES

The Epler Company will perform an updated actuarial valuation as of July 1, 2010 to determine the amount of the actuarial liability for the City's current retiree health benefits program in accordance with GASB 45. The actuarial valuation will be performed using generally accepted actuarial procedures, updated census, and plan and rate information provided by the City. A data request is being provided separately. We will provide the City with a report setting forth all City liabilities as required under GASB 45 for its retiree health benefits program. The actuarial valuation results will also provide information regarding level-dollar and level-percentage-of-pay funding options. The valuation results will be split between active and retired employees. Our report will contain the following information:

Ms. Judith Hashem

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- ♦ Executive Summary.
- ♦ Summary of Expected Cost: Projected annual pay-as-you-go expenditures (expected retiree health benefit payments by the City) for the next 20 years and representative years, thereafter.
- ♦ Summary of Plan Provisions: Terms of the plan provisions - eligibility, benefits period, etc., used in the valuation.
- ♦ Summary of Actuarial Assumptions: Key financial and demographic assumptions used in the valuation.
- ♦ Summary of Liabilities: Present value of expected retiree health benefit payments by the City.
- ♦ Determination of the expected impact on the City's financial statement under GASB 45, including the unfunded actuarial accrued liability and the estimated annual accrual accounting expense (annual required contribution) for the next two fiscal periods. GASB 45 requires disclosure of the unfunded liability associated with retiree health benefits and accrual accounting (versus pay-as-you-go) for the expensing of retiree health benefits.
- ♦ Funding Analysis: Recommended funding amounts to pre-fund the obligation on level-dollar and level-percentage-of-pay basis.
- ♦ Sensitivity Analysis: Results using alternative discount rates to reflect funding strategies.
- ♦ Age and Service Distribution: Statistics of employee population included in the valuation.
- ♦ Actuarial Certification.

Ms. Judith Hashem
April 7, 2010
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ESTIMATED FEES & TIMING

Our estimated fees, including non-travel related expenses, for the services outlined above are \$6,500. Our fees are based on the projected number of hours spent by each consultant on the project, multiplied by a billable rate that varies according to the experience and credentials of the consultant. We make every effort to hold down the costs incurred in preparing the report, but not to the point of jeopardizing the successful conclusion of the assignment. We will bill for our services monthly and payment is due 30 days after receipt of a monthly invoice.

Our estimated time for completion of the actuarial valuation is four (4) to six (6) weeks from receipt of complete data.

* * * *

We look forward to working with you on this assignment. If you need additional information or have any questions, please feel free to contact me at (619) 239-0831. Please provide at your earliest convenience a signed copy of this letter as acceptance of this engagement.

City of Calexico

The Epler Company

Agreed to:

Agreed to:

By _____

Ms. Judith Hashem
Finance Director

By _____

Ms. Marilyn K. Jones, ASA, MAAA, EA, FCCA
Vice President & Actuary

Date: _____

Date: 4/7/10